

Service Date: November 12, 1991

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Application)	
Of the MONTANA POWER COMPANY's)	UTILITY DIVISION
Unreflected Gas Cost Account)	
Balance as of August 31, 1991)	DOCKET NO. 91.10.44
its Gas Tracking Proposal for the)	
Period September 1, 1991 to August)	INTERIM ORDER NO. 5579
31, 1992, IMR Differential)	
Recovery, and NGI Recovery.)	
_____)	

FINDINGS OF FACT

1. On October 24, 1991, the Montana Power Company (MPC) filed its annual gas tracking application, which was denominated Docket No. 91.10.44. MPC seeks approval of deferred gas costs, as well as a gas cost for purposes of computing the base cost of gas for the tracking period. It also seeks to recover balances which have accrued because of the difference between sales made at the Interruptible Market Retention (IMR) rate and interruptible industrial gas rate.

2. The rate and revenue impacts of the filings are as follows, on a unit basis:

The Montana Power Company
Natural Gas Utility

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Docket								Unit	Unit	
91.1.1			Rev Reg.	Basic		Unit	Proposed	12-Months	90% IMR	Tracker
			Elim.	Amort.	Rev. Reg	Revenue	Compliance	Ended	Balance	
	Compliance	Unit	SevTx	Elim	Adj.	Refund	Design	8/31/91	12-Months	Proposed
	Design	Gas Cost	WrkgInt	SevTx	No. Mt.	+ Int.	Rates	Unref. GC	Ended	Rates
<u>Schedule</u>	<u>Rates*</u>	<u>Decrease</u>	<u>Stlmnt</u>	<u>Stlmnt</u>	<u>Gas Co.</u>	<u>Or. 5484k</u>	<u>A thru F</u>	<u>Balance</u>	<u>8/31/91</u>	<u>G+H+I</u>
RG-1: (Residential)										
SC	4.00	-	-	-	-	-	4.00	-	-	4.00
Commodity	3.762	(0.027)	0.002	(0.019)	(0.001)	(0.005)	3.712	(0.054)	0.051	3.709
GSG-1:(General Service)										
SC	9.50	-	-	-	-	-	9.50	-	-	9.50
Commodity	3.762	(0.027)	0.002	(0.019)	(0.001)	(0.005)	3.712	(0.054)	0.051	3.709
-FTG-1:(Firm Trans. DBU)										
SC	25.00	-	-	-	-	-	25.00	-	-	25.00
Commodity	0.352	-	-	-	-	-	0.352	-	-	0.352
ITG-1:(Int. Trans. DBU)										
SC	713.00	-	-	-	-	-	713.00	-	-	713.00
Commodity	0.352	-	-	-	0.352	-	-	0.352		
FUGC-1:(Firm Utility)										
Small SC	50.00	-	-	-	-	-	50.00	-	-	50.00
Large SC	500.00	-	-	-	-	-	500.00	-	-	500.00
Reservation	5.65	-	-	-	-	-	5.65	-	-	5.65
Commodity-Trans.	1.542	-	0.002	(0.022)	(0.001)	(0.006)	1.515	(0.062)	0.059	1.512
Commodity-Gas Cost	1.083	(0.003)					1.080			1.080
-FTG-1:										
Small SC	25.00	-	-	-	-	-	25.00	-	-	25.00
Large SC	250.00	-	-	-	-	-	250.00	-	-	250.00
Reservation	3.65	-	-	-	-	-	3.65	-	-	3.65
Commodity	0.151		0.002	(0.022)	(0.001)	(0.006)	0.124	(0.062)	0.059	0.121
-IGT-1:										
SC	713.00	-	-	-	-	-	713.00	-	-	713.00
Commodity	0.277		0.002	(0.022)	(0.001)	(0.006)	0.250	(0.062)	0.059	0.247
-FSG-1 (Storage)										
Reservation	3.862	-	-	-	-	-	3.862	-	-	3.862
Average Commodity	0.044	-	-	-	-	-	0.044	-	-	0.044

-FSSG-1: (Sales Subs.)

Small SC	50.00	-	-	-	-	-	50.00	-	-	50.00
Large SC	500.00	-	-	-	-	-	500.00	-	-	500.00
Reservation:										
Utility Syst.	5.65	-	-	-	-	-	5.65	-	-	5.65
Procurement	7.50	-	-	-	-	-	7.50	-	-	7.50
Commodity:										
Transmission	0.957		0.002	(0.022)	(0.001)	(0.006)	0.930	(0.062)	0.059	0.927
Distribution	0.352	-	-	-	-	-	0.352	-	-	0.352
Gas Cost	Market	-	-	-	-	-	Market	-	-	Market
Authorized Overrun	Commodity Rate on					Commodity Rate on			Commodity Rate	
	Applicable Rate Schedule					Applicable Rate Schedule			on Applicable Rate	
									Schedule	
Balancing Rate	0.173	-	-	-	-	-	0.173	-	-	0.173
Balancing Penalty	9.586	-	-	-	-	-	9.586	-	-	9.586
Minimum Rate	0.024	-	-	-	-	-	0.024	-	-	0.024

The revenue requirement effect of columns B-F and H and I is a net reduction in total revenues of \$2,134,190.

* These base rates do not include gas cost and IMR amortizations which were approved in Order No. 5528, Docket No. 90.12.84.

3. With respect to the above schedule, the Commission notes the following:
 - A. Inclusion of 90% of the IMR revenue differential is consistent with the previous interim orders. The IMR revenue differential amount of \$1,642,390. includes a remaining balance from last year of (\$203,119), rounding adjustment of (\$15,918.), a balance for 12 months ended 8/31/91 of \$2,164,222. and a net Natural Gas Incentive (NGI) revenue offset of \$709,033. When grossed up to the 100% level, the 8/31/91 balance is \$2,404,691. This amount results from below otherwise applicable tariff sales to Rhone-Poulenc (394,342 Mcf @14.9), Stone Container (1,133,991 Mcf @14.9), Pfizer (184,573 Mcf @14.9), MSU (292,790 Mcf @14.9). The deviation ranges from about \$.73/Mcf to about \$1.39/Mcf. This deviation is indicative, but not determinative of MPC's intent to maximize revenues from these sales, thereby insuring that other ratepayers won't be required to unduly subsidize these customers.
 - B. The revenue requirement effect of the Natural Gas Incentive (NGI) rate is a reduction of \$709,033., which consists of actual NGI revenues of \$1,030,770., less actual NGI expenses of \$315,159. There is an NGI gas cost adjustment of (\$436.) and a Combura adjustment of \$6,578. The difference between \$1,030,770 and \$321,737. is credited against 90% of the IMR balance, which appears to comport with MPC Order Nos.

5410a/b in Docket No. 87.8.38. The (\$436.) is the difference between estimated NGI gas costs of \$306,180. and actual NGI gas costs of \$315,159.

- C. The Company proposes to discontinue amortizing the effects of the Severance Tax and Working Interest payments. Amortization of these amounts began with meter readings on and after January 1, 1986. For interim purposes, the cessation of amortization, which will occur for service on and after November 1, 1991, is reasonable.

4. MPC seeks current gas cost recovery according to the following mix:

MONTANA POWER COMPANY

GAS MARKET/SUPPLY/COST SUMMARY

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1	CITY GATE REQUIREMENTS	(MMCF)	S/MCF	SM
2	-----	=====	=====	=====
3	GAS COST SALES			
4	CORE SALES	18,259		
5	NONCORE SALES-DBU	113		
6	-S&TBU	713		
7	FUGC	3,116		
8		-----		
9	SUBTOTAL GAS COST SALES	22,201		
10				
11	CREDIT SALES			
12	NGI	19		
13	CANADIAN UTILITIES	78		
14	SALES SUBSCRIPTTION -DBU	714		
15	-S&TBU	1,026		
16		-----		
17	SUBTOTAL CREDIT SALES	1,837		
18				

19	TOTAL CITY GATE RQMTS	24,038		
20				
21	TRANSMISSION U & UAF	755		
22	STORAGE U & UAF	107		
23		-----		
24	TOTAL GAS SUPPLY REQUIREMENT	24,900		
25				
26				
27				
28	GAS SUPPLY			
29	-----			
30	CARWAY	1,350	\$1.880	2,538
31	REAGAN	167	\$1.480	247
32				
33	ADEH PURCHASE	3,362	\$1 .253	4,211
34	ADEN ROYALTY	5,946	\$0.330	1,962
35	ADEN FEE	296		
36	ADEN U & UAF	(720)		
37		-----		-----
38	ADEN - NET	8,884		6,173
39				
40	MONTANA PURCHASE	8,425	\$1 .921	16,185
41	MONTANA ROYALTY	6,523	\$0.183	1,194
42	MONTANA U & UAF	(449)		
43		-----		-----
44	MONTANA - NET	14,499		17,379
45				
46	TOTAL GAS SUPPLY AND COST	24,900		26,337
47		=====		=====
48				
49	GAS COST CREDITS			(2,486)
50				-----
51	NET GAS COST			23,851

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5. The 1991-92 tracker period gas cost of \$23,851,181. is an annualized gas cost which assumes that the gas transportation scheme which will become effective November 1, 1991, is effective for the entire tracking period of September 1, 1991 - August 31, 1992. Such is not the case for the months of September and October, however. Therefore, to insure that a proper foundation exists upon which the next tracking years deferred gas cost balances may be accurately allocated to customer classes, a pro forma annualized gas cost must be computed for the pretransportation tracker months of September and October. MPC computed such cost as follows:

Proforma nontransportation annualized	
gas cost	\$32,649,682.
Market at 14.9 p.s.i.a	26,639,881. Mcf
Unit Cost	\$1.226/Mcf
September and October portion	\$3,276,583.

6. The net 1991-92 post November 1, 1991 gas cost is as follows:

Annualized Post November 1 gas cost	\$23,851,181
September and October gas cost	<u>(3,276,583)</u>
Net gas cost, post November 1	\$20,574,598
Post November 1 market at sales	
pressure	19,058,098.
Unit Cost	\$1.080/Mcf
S & TBU Sales Volumes @14.9 p.s.i.a.	2,673,168
S & TBU Gas Cost	\$ 2,885,879
DBU Gas Cost	\$17,688,719
DBU Sales Volumes @4 ozs.	\$16,390,230
DBU Unit Gas Cost	\$ 1.080/Mcf

7. The Commission finds that all elements of this tracker are acceptable for interim purposes. The way in which MPC has presented the impacts that distribution level use and unaccounted very clearly depicted in this filing, however. In the future, the Commission would appreciate numerical schedules which more clearly reflect this factor.

CONCLUSIONS OF LAW

1. Montana Power Company is a corporation providing gas services within the State of Montana, and, as such, is a “public utility” within the meaning of Section 69-3-101, MCA.

2. The Commission properly exercises jurisdiction over Montana Power Company’s natural gas utility operations under Title 69, Chapter 3, MCA.

3. The Commission may approve increases or decreases in rates on an interim basis, pending a hearing on the merits (69-3-304).

ORDER

1. The Commission orders Montana Power Company to file rate schedules reflective of the Findings of Fact above to be effective for services rendered on and after November 1, 1991.

2. A Notice of Opportunity for Public Hearing will be issued in the future to allow parties the option of pursuing items of interest to them.

3. Any refunds shall include interest calculated at Montana Power Company’s return on equity.

DONE AND DATED at Helena, Montana this 31st day of October, 1991, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

BOB ANDRSON, Commissioner

JOHN B. DRISCOLL, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.